TEACHERS' RETIREMENT ALLOWANCES FUND BOARD

1982

ANNUAL REPORT

33V

MANITOBA
TEACHERS' RETIREMENT ALLOWANCES
FUND BOARD
Telephone: 786-0242
115 — 1200 Portage Avenue
Winnipeg, Manitoba
R3G 0T5

The Honourable Maureen Hemphill,
Minister of Education,
Room 168, Legislative Building,
Winnipeg, Manitoba,
R3C 0V8.

7th June, 1983.

Dear Madam Minister:

In accordance with subsection 45(3) of The Teachers' Pensions Act, we are pleased to report on our administration of The Teachers' Retirement Allowances Fund for the year ended December 31, 1982. Appended to and forming part of this report are the following:

1. Statement of "Comparative Statistics" of significant aspects of the Fund covering the period from inception in 1925 to the end of 1982.

2. Report of the Provincial Auditor on his examination of the accounts of the Fund for the year ended December 31, 1982, as required by clause 45(3)(a) of the Act.

3. Financial Statements in respect of the year ended December 31, 1982 as follows:

   Exhibit A - Balance Sheet as at December 31, 1982.

   Exhibit B - Statement of Changes in Benefit Reserves for the year ended December 31, 1982.

   Schedule 1 - Summary of Investments as at December 31, 1982.

   Schedule 2 - Summary of Investment Income for the year ended December 31, 1982.

   Notes to the Financial Statements for the year ended December 31, 1982.

.../2

INVESTMENTS:

During 1982, invested assets increased by more than $42,000,000. This amount along with approximately $6,000,000. of funds resulting from maturing securities was invested as follows:

	% of Total	Cost (thousand $)	Average Yield %
Bonds - Province of Manitoba	10.4	$ 5,000,	15.25
- Hospital Corporation	6.2	3,000,	15.25
- Canadian corporations	2.4	1,167,	17.71
Total Bonds	19.0	9,167,	15.56
Mortgages - Insured, N.H.A.	34.1	16,431,	17.21
- Uninsured	9.2	4,440,	16.89
Total Mortgages	43.3	20,871,	17.14
Total Fixed Income	62.3	$30,038,	16.66
Real Estate Equity	12.0	$ 5,764,	
Other Equity - Canadian Commercial Bank Shares	8.8	4,280,	
- Mortgage Investment Corp. Shares	1.7	800,	
- Direct Natural Resource equity	1.7	800,	
- Venture Capital	.8	400,	
Total Other Equity	13.0	6,280,	
Total Equity	25.0	$12,044,	
Total Long Term Investment	87.3	$42,082,	
Short Term Investment	12.7	6,131,	
Total New Investment	100.0	$48,213,	

As investments in real estate, mortgages, mortgage bonds, venture capital, and direct acquisition of natural resource assets require advance commitment of funds which are paid out during or on completion of construction or as required to fund venture capital or natural resource acquisitions, over $33,000,000. of unfunded commitments were in place at the end of the year, as follows:

.../3

	Amount (thousand $)	Average Yield
Bonds - Canadian Corporations	$ 2,000,	14.75% plus participation
Mortgages - Insured, N.H.A.	7,596,	14.97%
- Insured, Other	721,	floating rates
- Uninsured	5,020,	14.34%
Total Mortgages	$13,337,	
Total Fixed Income	$15,337,	
Real Estate Equity	$11,137,	
Other Equity - Direct Natural Resources	4,933,	
- Venture Capital	1,300,	
- Mortgage Investment Corp.	513,	
Total Other Equity	$ 6,746,	
Total Equity	$17,883,	
Total Commitments	$33,220,	

Under the Act, investments are made as directed by the Investment Committee, comprised of the Chairman and a "teacher" member of the Board and the Deputy Minister of Finance for the Province. The Committee held 7 formal meetings during 1982 and the results of its decisions are portrayed in the preceding paragraphs. Although there was a net increase in the amount invested in every asset class, the percentage of total investments representing fixed income securities reduced by approximately 2% to 68.37%, offset by a corresponding increase in equity investments from 16% to 18%.

In our report with respect to 1981, we advised that the rate of return on the average net assets of the Fund had been 11.90%. Subsequently, it was decided that certain changes in the methods used to record investment income in the accounts should be implemented and that the changes should be made as if they had been in effect for 1981. The principal change was to recognize the significant increase in value of real estate investments over their original cost, with one-half of such increase being added to income and the remainder being held as a provision for possible future declines in value. The effect of this policy change was an increase in the rate of return for 1981 to 14%.

.../4

In 1982 there was a modest decline in the appraised value of real estate investments that was charged to the provision referred to above. It was also decided that a general provision should be made for possible losses of capital on fixed income investments as there were indications that, as a result of difficult economic conditions, defaults were likely to occur with respect to a few bond and mortgage investments held. Therefore, .25% of the average of investments of this type held in each year, commencing in 1982, will be allocated to the provision for capital losses and any actual losses incurred will be charged to the provision. After taking into account these events, the rate of return on the average net assets of the Fund for 1982 was 11.96%.

PENSIONS:

During the year there was a net increase of 110 in the number of retirement income and other monthly benefits being paid. Following is a summary of persons receiving different types of retirement income benefits at December 31, 1982:

Regular service pensions -	
to retired teachers	2,732
to dependants or estates of deceased retired teachers	82
Disability pensions -	
to retired disabled teachers	133
to dependants or estates of deceased retired disabled teachers	4
Death Benefits -	
to surviving spouses or children of deceased teachers	53
Special Annuities -	
to former teachers of retirement age not entitled to regular pensions	113
	3,117

.../5

ACTUARIAL VALUATION:

As required by the Act, an actuarial appraisal is made of the Fund every 3 years. In the most recent report as at January 1, 1981, the Actuary advised that the Fund's actuarial liabilities were totally offset by actuarial assets; therefore, the Fund was in a financial position to pay its share of the cost of all benefits to present members promised under the Act.

Respectfully submitted:

THE TEACHERS' RETIREMENT ALLOWANCES FUND BOARD,

Chairman - James G. Oborne
Vice-Chairman - Murray McKnight

Members nominated by --

Manitoba Teachers' Society
Ethel M. Arnott
Marilyn Thompson
Kenneth Valainis

Manitoba Association of School Trustees
Kenneth Compton
Ray Whiteway

COMPARATIVE STATISTICS

1925 - 1982

Year Ended 30th June	Net Assets	Income From Investments			CONTRIBUTIONS			Admin. Expenses	Refunds	Pensions			
			Approx. Rate of Return %	Number of Teachers Contributing	Teachers	Province of Manitoba	School Districts			Cost	Being paid at end of period	Added during period	Deleted during period
	Thousand $	Thousand $			Thousand $	Thousand $	Thousand $	Thousand $	Thousand $	Thousand $			
1925 to 1948	1,866,	628,	4.00		1,761,	248,	—	33,	279,	464,	109	192	83
1949	2,143,	66,	3.25	3,620	229,	49,	48,	9,	45,	60,	134	34	9
1950	2,477,	84,	3.25	3,650	292,	55,	54,	8,	73,	71,	150	30	14
1951	2,827,	86,	3.25	3,750	325,	58,	57,	8,	87,	81,	160	25	15
1952	3,261,	100,	3.25	3,800	362,	88,	87,	11,	105,	88,	178	28	10
1953	3,819,	121,	3.35	4,050	413,	121,	118,	10,	108,	98,	194	28	12
1954	4,461,	145,	3.55	4,200	471,	126,	123,	11,	107,	106,	205	28	17
1955	5,471,	172,	3.55	4,250	813,	137,	133,	13,	121,	110,	211	21	15
1956	6,335,	207,	3.55	4,400	656,	140,	136,	12,	141,	121,	230	33	14
1957	11,719,	283,	3.60	4,900	725,	204,	200,	18,	170,	232,	557	351	24
1958	12,908,	402,	3.75	5,200	875,	411,	378,	19,	200,	594,	602	65	20
1959	14,469,	571,	4.00	5,950	1,080,	417,	407,	20,	227,	668,	626	62	38
1960	16,437,	649,	4.25	7,000	1,313,	474,	442,	29,	199,	682,	648	45	23
1961	18,688,	757,	4.45	7,300	1,545,	502,	459,	26,	270,	716,	675	61	34
1962	21,043,	875,	4.65	7,300	1,606,	519,	475,	28,	316,	776,	725	73	23
1963	23,225,	1,030,	4.70	7,750	1,717,	529,	500,	36,	461,	1,097,	781	74	18
1964	25,316,	1,144,	4.85	8,700	2,247,	256,	527,	44,	531,	1,509,	895	148	34
1965	28,084	1,281,	5.00	9,000	3,137,	201,	539,	40,	610,	1,750,	960	101	36
1966	30,387,	1,427,	5.00	9,400	2,962,	538,	287,	39,	803,	2,072,	1,032	102	30
1967	33,746,	1,574,	5.15	9,750	2,972,	1,017,	11,	44,	859,	2,251,	1,084	88	36
1968	36,839,	1,735,	5.35	10,650	3,655,	1,227,	20,	57,	904,	2,594,	1,155	120	49
1969	40,627,	2,008,	5.50	11,150	4,332,	1,394,	12,	56,	990,	2,906,	1,253	138	40
1970	44,828,	2,320,	5.60	11,650	4,710,	1,578,	13,	64,	1,116,	3,261,	1,357	143	39
6 mos. ended 31 Dec. 1970	46,311,	1,369,	6.00	11,750	1,806,	1,280,	5,	31,	649,	2,310,	1,458	124	23
year ended 31st Dec.													
1971	52,119,	3,125,	6.19	12,100	5,620,	3,123,	16,	90,	1,048,	4,955,	1,606	195	47
1972	60,249,	3,977,	6.40	12,000	6,281,	3,841,	10,	114,	1,244,	5,670,	1,737	182	51
1973	68,188,	3,996,	6.53	12,200	6,982,	6,100,	9,	123,	1,186,	7,076,	1,980	293	50
1974	77,256,	3,078,	4.43	12,300	7,862,	8,755,	8,	136,	1,449,	8,957,	2,176	244	48
1975	89,277,	7,008,	8.94	12,400	9,316,	7,538,	6,	168,	1,385,	10,661,	2,289	171	58
1976	101,988,	8,090,	8.91	12,500	10,656,	8,519,	5,	215,	1,471,	12,388,	2,416	175	48
1977	117,140,	9,260,	8.91	12,600	12,348,	9,322,	5,	280,	1,449,	14,018,	2,524	161	53
1978	137,127,	12,007,	9.91	12,716	14,538,	9,985,	11,	261,	1,499,	15,489,	2,649	187	62
1979	159,066,	14,917,	10.60	12,533	16,292,	10,859,	4,	292,	1,817,	17,212,	2,789	196	56
1980	184,458,	17,181,	10.53	12,471	18,065,	11,848,	5,	358,	2,174,	19,050,	2,935	218	72
1981	222,755,	22,877,	14.02	12,805	25,985,	12,617,	-	404,	2,191,	20,867,	3,007	143	71
1982	272,360,	27,966,	11.98	12,907	26,293,	13,912,	-	493,	2,210,	23,054,	3,117	194	84

PROVINCE OF MANITOBA
PROVINCIAL AUDITOR

THE TEACHERS' RETIREMENT ALLOWANCES FUND

REPORT OF THE PROVINCIAL AUDITOR'S OFFICE

We have examined the financial statements, being Exhibits A and B and Schedules 1 and 2, of The Teachers' Retirement Allowances Fund for the fiscal year ended December 31, 1982. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Fund as at December 31, 1982 and the results of its operations for the year then ended in accordance with the accounting policies stated in note 1 to the financial statements applied, except for the fixed income measurement policy as explained in note 1 Bi, and after giving retroactive effect to the change in the real estate investment income measurement policy as explained in note 1 Biii to the financial statements, on a basis consistent with that of the preceding year.

W. K. Ziprick, C.A.,
Provincial Auditor.

April 29, 1983,
Winnipeg, Manitoba.

Exhibit A

THE TEACHERS' RETIREMENT ALLOWANCES FUND

Balance Sheet
as at December 31, 1982
(with 1981 figures for comparison)

A S S E T S

	1982	1981
Investments, Schedule 1	$ 264,917,163	$ 222,547,959
Unamortized net adjustment to book value of securities sold before maturity	183,374	226,833
Accrued interest on investments	4,099,256	3,355,013
Investment income receivable	356,412	257,012
Balance of teacher and school division contributions owing by school divisions	2,217,549	2,398,129
Cash on hand and in bank	832,994	1,500,119
	$ 272,606,748	$ 230,285,065

L I A B I L I T I E S

Cheques issued and outstanding	$ 246,911	$ 312,465
Balance of Province of Manitoba Account	(34,084)	31,635
Benefit Reserves, Exhibit B:		
Reserves for teachers' share of benefits:		
Basic	250,907,449	212,437,015
Pension indexing adjustments	20,414,385	16,611,545
Reserves for employers' share of benefits:		
Manitoba Teachers' Society	757,471	629,535
Manitoba Association of School Trustees	59,220	46,378
	272,138,525	229,724,473
Reserve for Fund's share of employees' pension benefits (Note 1E)	255,396	216,492
	$ 272,606,748	$ 230,285,065

Exhibit B

THE TEACHERS' RETIREMENT ALLOWANCES FUND

Statement of Changes in Benefit Reserves
for the year ended December 31, 1982
(with 1981 figures for comparison)

	1982					1981
	Reserve for Teachers' Share of Benefits		Reserve for Employers' Share of Benefits			
	Basic	Pension Indexing Adjustments	Manitoba Teachers' Society	Manitoba Association of School Trustees	Total	Total
Additions:						
Contributions:						
Teachers	$ 22,337,805	$ 3,955,661	$ -	$ -	$ 26,293,466	$ 25,985,486
Province of Manitoba:						
Share of benefits charged	12,156,965	-	-	-	12,156,965	10,855,547
Re: Actuarial liability created by 1970 and 1973 amendments	1,613,300	-	-	-	1,613,300	1,613,300
Prior rural service of certain retired Winnipeg teachers	141,810	-	-	-	141,810	143,735
Manitoba Teachers' Society	-	-	69,960	-	69,960	61,036
Manitoba Association of School Trustees	-	-	-	6,564	6,564	5,289
Others - Transfers under reciprocal agreements	616,180	-	-	-	616,180	449,596
Total contributions	36,866,060	3,955,661	69,960	6,564	40,898,245	39,113,989
Investment Income, Schedule 2 (Note 1)	25,684,121	2,196,948	78,171	6,278	27,965,518	26,700,272
Total additions	62,550,181	6,152,609	148,131	12,842	68,863,763	65,814,261
Deductions:						
Pensions paid	20,683,559	2,349,769	20,195	-	23,053,523	20,867,168
Contributions refunded	2,210,054	-	-	-	2,210,054	2,191,325
Transfers under reciprocal agreements	693,326	-	-	-	693,326	316,266
Administrative expenses	492,808	-	-	-	492,808	383,851
Transfer to reserve for Fund's share of employees' pension benefits to cover past service liability	-	-	-	-	-	186,400
Total deductions	24,079,747	2,349,769	20,195	-	26,449,711	23,945,010
Net increase for year	38,470,434	3,802,840	127,936	12,842	42,414,052	41,869,251
Balance at beginning of year	212,437,015	16,611,545	629,535	46,378	229,724,473	187,855,222
Balance at end of year, Exhibit A	$ 250,907,449	$ 20,414,385	$ 757,471	$ 59,220	$ 272,138,525	$ 229,724,473

Schedule 1

THE TEACHERS' RETIREMENT ALLOWANCES FUND

Summary of Investments
as at December 31, 1982

	Par Value	Book Value
Fixed income investments:		
Bonds and debentures issued by, or guaranteed by, the following:		
Canada	$ 15,424,000	$ 15,137,404
Province of Alberta	165,000	164,581
Province of British Columbia	371,000	368,308
Province of Manitoba	25,888,000	25,857,737
Province of New Brunswick	965,000	960,627
Province of Newfoundland	1,150,000	1,142,960
Province of Nova Scotia	385,000	382,635
Province of Ontario	1,625,000	1,619,640
Province of Prince Edward Island	790,000	781,485
Province of Quebec	1,235,000	1,229,411
Province of Saskatchewan	350,000	347,935
Hospital districts	4,654,000	4,615,924
Municipal corporations	10,561,746	10,508,043
School districts and divisions	306,000	303,756
Corporations	39,714,294	38,221,121
	$ 103,584,040	$ 101,641,567
Mortgages:		
Insured:		
National Housing Act (Canada)	54,484,009	53,585,502
Other	12,137,763	11,905,442
Uninsured	12,324,333	12,277,782
	$ 78,946,105	
Short Term Notes	$ 36,100,000	36,100,000
Units of Fixed Income Fund		2,000,000
Total fixed income investments at amortized cost		217,510,293
Less: Provision for losses		268,810
Net fixed income investments, carried forward		217,241,483

THE TEACHERS' RETIREMENT ALLOWANCES FUND

Summary of Investments
as at December 31, 1982

	Book Value
Brought forward	$ 217,241,483
Equity investments:	
Mortgage investment corporation shares	2,099,496
Canadian Commercial Bank shares	4,280,000
Direct natural resources, shares	800,100
Venture Capital, limited partnership	400,000
Total equity investments, at cost	7,579,596
Real estate equity investments:	
Common shares	22,900,723
Participating bonds	22,646,685
Qualifying shares	13,676
Total real estate equity investments, at appraised values	45,561,084
Less: Provision for decline in appraised values	5,465,000
Net real estate equity investments	40,096,084
Total investments, Exhibit A	$ 264,917,163

Schedule 2

THE TEACHERS' RETIREMENT ALLOWANCES FUND

Summary of Investment Income
for the year ended December 31, 1982
(with 1981 figures for comparison)

	1982	1981
Fixed income investments:		
Interest	$ 24,509,130	$ 19,917,216
Amortization of discounts and premiums	246,424	19,692
	24,755,554	19,936,908
Less: Provision for capital losses on fixed income investments	413,310	-
	24,342,244	19,936,908
Equity investments:		
Dividends	236,976	119,886
Real estate equity investments:		
Interest and dividends	3,150,621	2,560,291
Adjustments due to change in book value of investments	261,656	259,691
One-half of increase in appraised value	-	3,844,000
	3,412,277	6,663,982
Total investment income	27,991,497	26,720,776
Less: Allocated to Reserve for Fund's share of employees' pension benefits	25,979	20,504
Net investment income, Exhibit B	$ 27,965,518	$ 26,700,272

THE TEACHERS' RETIREMENT ALLOWANCES FUND

Notes to the Financial Statements
for the year ended December 31, 1982

1. Significant Accounting Policies:

The significant accounting policies are summarized below:

A) The Fund follows the accrual basis of accounting in all cases where the amount of the accrual is material, specifically teacher contributions and fixed investment income.

B) The investment income measurement policies consist of:

i) Fixed income investments:

Income on fixed income investments includes the net effect of amortization of discounts and premiums on securities held as well as amortization of book losses on bonds sold before maturity in order to acquire other securities for an increase in net yield.

Commencing in 1982, one quarter of 1% of the weighted average monthly book value during the year of fixed income investments, excluding short-term notes, is allocated to a provision for capital losses and any actual losses realized are charged against the provision. The effect of this change in policy is a reduction in reported investment income for 1982 of $413,310.

ii) Equity investments:

Each year the recorded value of equity investments, where a quoted market value is available, is adjusted to reflect the change in their market value. One-half of any unrealized appreciation is taken into income in the year and the balance is credited to the provision for market declines. In any year that the market value decreases, the whole of the decrease is charged to the provision. When an investment is sold the balance in the provision pertaining to the investment sold is transferred to income. At the end of 1982, no quoted market values were available in respect of equity investments held.

iii) Real estate equity investments:

The same income measurement policy that applies to the Fund's other equity investments has been adopted for real estate equity investments retroactive to the beginning of 1981. The Board has recognized appraised values of the underlying properties on real estate investments for purposes of this policy. Appraisals are done by management and test verified by independent appraisers at September 30 in each year. The Fund's share of the appraisal surplus on that date is reflected in the accounts. Transactions recorded as a result of this policy were as follows:

THE TEACHERS' RETIREMENT ALLOWANCES FUND

Notes to the Financial Statements
for the year ended December 31, 1982

		Added to	
	Appraisal Surplus	Investment Income	Provision for Market Declines
As at December 31, 1980	$ 6,749,000	$ 3,374,000	$ 3,375,000
Year ended December 31, 1981	7,688,000	3,844,000	3,844,000
Year ended December 31, 1982	(1,754,000)	-	(1,754,000)
Balances, December 31, 1982	12,683,000		$ 5,465,000
Real estate investments, cost	32,878,084		
Real estate investments, appraised value	$45,561,084		

C) Pension Indexing Adjustment Reserve:

An allocation of teachers' contributions is made in accordance with the Act to the reserve. Interest is allocated to the reserve on the basis of the average rate earned by the Fund on total new fixed income investments made since establishment of the reserve.

Cost of living pension adjustment payments are calculated effective July 1 in each year and are based on the lesser of the increase in the Canadian Consumer Price Index for the preceding calendar year, or the amount, determined by an actuarial review, that could be paid without resulting in an unfunded liability in the reserve.

D) The financial statements do not reflect the financial position of the Fund on an actuarial valuation basis. In accordance with the Act, an actuarial valuation and report is required every 3 years. In his most recent actuarial report on The Teachers' Retirement Allowances Fund as at January 1st, 1981, the Actuary stated that the financial position of the Fund had improved during the period covered by his review. As a result of the limited utilization of the Province of Manitoba rate guarantee the Fund was in a sound financial position as of the valuation date.

E) Reserve for Fund's share of employees' pension benefits:

The Fund is liable for payment of one-half of the pensions paid to its retired employees. Based on an actuarial report as at December 31, 1980, a portion of the Fund was allocated to provide for the Fund's accrued actuarial liability in this regard. The report provided a method of allocating further funds to the Reserve each year to recognize the annual increases in this liability. Transactions affecting the Reserve in 1982 and 1981 were as follows:

THE TEACHERS' RETIREMENT ALLOWANCES FUND

Notes to the Financial Statements
for the year ended December 31, 1982

	1982	1981
Balance, beginning of year	$216,492	$186,400
Interest allocated from investment income	25,979	20,504
Required employer contribution charged to Administrative expenses	15,388	11,859
	257,859	218,763
Less: Fund's share of pension payments	2,463	2,271
Balance, end of year	$255,396	$216,492

2. Guarantee by the Province:

Under the Act, the Province of Manitoba guarantees that a certain rate of return which varies based on actuarial assumptions, will be earned on the assets of the Fund. Any deficiency in annual earnings is made up by the Province; however, no payments have been required since 1975.

3. Comparative Figures:

Certain of the 1981 figures have been restated to conform to the 1982 financial statement presentation.

POOR

QUALITY

ORIGINAL